

DEPARTMENT OF HEALTH AND HUMAN SERVICES**CFDA 93.794 REIMBURSEMENT OF STATE COSTS FOR PROVISION OF
PART D DRUGS****I. PROGRAM OBJECTIVES**

Effective January 1, 2006, States transitioned to Medicare Part D coverage. Under the transition to the Medicare Part D plan, some States will be receiving reimbursement for certain costs under a new demonstration project authorized under Section 402 of the Social Security Act Amendments of 1967, as amended. This demonstration project is separate from the Medicaid cluster (CFDA 93.778).

The Centers for Medicare and Medicaid Services (CMS) notified States in SMDL #06-001 dated February 2, 2006, of the demonstration program project that would allow those States that have assisted their dual-eligible and low-income subsidy-entitled populations in obtaining and accessing Medicare Part D coverage to be reimbursed for their efforts. Section 402 of the Social Security Amendments of 1967, as amended, allows CMS to make payments to States for amounts they have paid for a dual eligible's Part D drugs or a low-income subsidy-entitled Part D plan enrollee's Part D drugs, to the extent that those costs are not otherwise recoverable from a Part D plan and are not required Medicare cost-sharing on the part of the beneficiary. In addition to providing funds to reimburse amounts paid by States for Part D drugs, the demonstration would also provide payments for certain administrative costs incurred by States.

II. PROGRAM PROCEDURES

A State must apply for the Section 402 demonstration using a template available on the CMS website. The demonstration will reimburse the State for eligible costs between January 1, 2006 and February 15, 2006. CMS will enter into an agreement with the State describing the program and the related program requirements. Additional information is available at <http://www.cms.hhs.gov/States/> under "Repayments to States."

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to the individual State demonstration agreement and then to Part 7 of the Compliance Supplement to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Part 3 for the details of the requirements.